

**SECOND QUARTER – 2021 CLIENT NEWSLETTER
REVIEW OF THE MARKETS:**

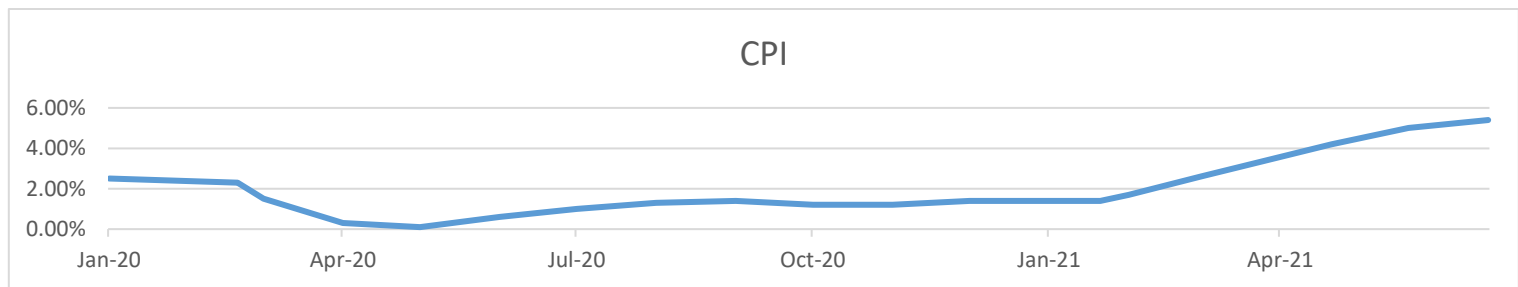
Index:	2Q21	2021
S&P 500	8.55%	15.25%
S&P Mid-Cap	3.64%	17.59%
S&P Small Cap	4.51%	23.56%
Morgan Stanley's EAFE (International Stocks)	5.17%	8.83%
Barclay's US Aggregate (Bonds)	1.83%	-1.60%

Wendy Feathers, our Administrative Assistant, recently passed her notary exam. She is now able to notarize documents for our clients.

Schwab recently posted a bulletin notice stating for Advisors and Clients to be aware of a phone scam. Scammers are apparently spoofing phone numbers and calling Advisors & random people attempting to obtain private information. While we have not received nor have been made aware that any of our clients have received these phone calls, we still felt best to notify our clients.

ECONOMY & MARKETS:

The center of the news today is the rise in inflation. Inflation has picked up for numerous reasons including the result of the stimulus packages, pent-up demand, and disruptions in supply chains. Also, as more Americans are becoming vaccinated and the consequential resuming back to normal, consumer spending has increased putting pressure on inflation figures. Let's keep in mind, the inflation picture has been "muddied" by the pandemic. As the global economy shut down, demand for many things including gasoline, airfare, lodging, etc... plummeted. As the economy has come roaring back, building off those low levels, we surely are going to see a rise in inflation.



Most economists and the Fed are projecting this increase in inflation to be temporary; others are predicting longer-term effects. Time will tell... Why is rising inflation considered a risk? Generally, this increases borrowing costs as longer-term interest rates tend to move higher (putting pressure on some bond investments). This may also impact growth in the equity markets more notably on the higher leveraged debt companies (technology names). In short, inflation is the market's kryptonite! **Dating back to late 2020, we have made numerous portfolio adjustments in an attempt to hedge against rising interest rates and inflationary pressure.**

The post pandemic economic recovery remains positive and encouraging as it continues to work its way through economy and labor markets. **September will be a very big month as that is when the government's extended unemployment will end.** Short-term interest rates are still at near zero. The Fed's recent projections indicate it may now raise short-term rates by the end of 2023 (sooner than previous expectations). Meanwhile, longer-term interest rates rose ultimately peaking in early April, before stabilizing and actually falling slightly. The Fed has indicated it likely will start reducing its \$120B monthly purchases of Treasury and mortgage bonds before it starts raising short-term interest rates. This action may put further pressure on longer-term interest rates to rise.

<i>Economic Statistics</i>	<i>Most Recent</i>	<i>Previous report</i>
▪ GDP growth rate	1Q21 up 6.4%	4Q21 up 4.3%
▪ Inflation (CPI)	June up 5.4%	May up 5.0%
Core CPI (excludes food & energy)	June up 4.5%	May up 3.8%.
▪ Unemployment rate	June up 5.9%.	May up 5.8%
▪ S&P 500 Forward P/E ratio	21.4	5-year average 18.1

For our July Newsletter, we normally take a break from specific topics and will once again feature:

Financial Trivia Questionnaire

1. Circle ALL common inflation measures most often mentioned in media?
 - A. CPI / Consumer Price Index
 - B. PCE / Personal Consumption Expenditure
 - C. GNP / Gross National Product
 - D. PPI / Producer Price Index
 - E. All the above

2. Circle the main criticisms to the Consumer Price Index (CPI)?
 - A. Fails to capture regional variations
 - B. Understates expenditures not represented
 - C. Omits consumer substitution
 - D. Slow to capture new product innovation
 - E. Too much weight on urban consumption
 - F. All of the above

3. Which of the following statements about bonds are true?
 - A. When interest rates rise, bond prices rise
 - B. Bonds never outperform stocks
 - C. Bonds don't make sense for young or aggressive investors
 - D. All of the Above
 - E. None of the Above

4. Can working while collecting social security impact the total benefits you receive?
 - A. Yes
 - B. No
 - C. It depends; better talk to someone at YAIA

5. When is the anticipated year to which the Social Security Trust fund will not be able to meet its obligations?
 - A. 2023
 - B. 2030
 - C. 2035
 - D. 2050

6. How long will the vaccine offer protection against the Covid-19 virus?
 - A. One year
 - B. Two years
 - C. Three Years
 - D. No one knows

7. What is herd immunity?
- A. The act of gathering humans into a group to vaccinate them against a disease
 - B. The act of commonly gathering cattle, goats, sheep, or camels with the assistance of certain breeds of dogs (border collies, for example)
 - C. The indirect form of protection against viruses that can occur when a sufficient percentage of the population become immune to the infection
8. Circle ALL of the meme stocks that have been in the news lately:
- A. Blackberry
 - B. AMC
 - C. GameStop
 - D. Clover Health
 - E. Bubble Gum
 - F. Ocean's 13
9. Circle ALL of the Cryptocurrency names:
- A. Bitcoin
 - B. Dogecoin
 - C. Catecoin
 - D. Ether
 - E. Tether
10. What is a SPAC or special purpose acquisition company?
- A. SPAC raises funds through an IPO (initial public offering) for the purpose of acquiring another company
 - B. SPAC raised funds through private investors to introduce a new product
 - C. SPAC raises funds through private investors to merge/acquire another private company
 - D. Don't know
11. What type of stock market are we in?
- A. Bull
 - B. Bear
 - C. Deer
 - D. Dog
 - E. Tyrannosaurus Rex
12. Complete this famous proverb. "Time in the market is more important than _____ the market".
- A. Future
 - B. Value
 - C. Timing

13. Which of the following is an exchange where investors can trade (buy/sell stocks)?
- A. DOW
 - B. MSCI
 - C. NASDAQ
 - D. None of the above
14. You can make multiple retirement plan rollovers per year.
- A. True
 - B. False
 - C. Depends on type of rollovers; better talk to someone at YAIA
 - D. Not Sure
15. What assets are not subject to probate?
- A. Joint Tenancy with Rights of Survivorship, Transfer on Death Accounts, & IRAs
 - B. Individual accounts & Roth IRAs
 - C. Assets where the named beneficiary is the Estate

Let's have a little fun with some bonus trivia

16. National Geographic recently named a 5th Ocean, what is the name of this new ocean?
- A. Atlantic Ocean
 - B. Southern Ocean
 - C. Pacific Ocean
 - D. Indian Ocean
 - E. Arabian Ocean
 - F. Arctic Ocean
17. A herd of elephants have recently been in the news having walked over 300 miles in which country?
- A. India
 - B. Thailand
 - C. Sri Lanka
 - D. China
 - E. Botswana
18. What is a baby rabbit called?
- A. Cotton tail
 - B. Kit
 - C. Fawn
 - D. Joey

Answer Key:

1. A, B & D

2. F

3. E

4. C

Explanation –

First, if you are under your Full Retirement Age (FRA) and start collecting social security early, your benefits are reduced. Further, if you are younger than full retirement age and earn more than the yearly earning limits for 2021, that limit is \$18,960, benefits may be further reduced (\$1 is deducted from your benefit payments for every \$2 you earn above the annual limit)

5. C

6. D

7. C

8. A, B, C, & D

9. A, B, D, & E

10. A

11. A *Though markets turned bear in March 2020 but then quickly recovered the losses & turned positive*

12. C

13. C

14. C

Explanation –

Direct rollovers also known as trustee-to-trustee transfer and indirect rollovers from a qualified plan such as 401(k), 403(b) etc. can be rolled over any number of times. However, only one indirect rollover (60 days) is permissible between two IRAs in a 12-month period

15. A

16. B

17. D

18. B